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Software Engineering Institute**

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# Advanced Risk Analysis for High-Performing Organizations

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# Changing Operational Environment

## From

Centralized management control of processes

Dedicated, stand-alone technologies

Permanent enterprise, defined by organizational chart

One team, one mission

Compartmentalized view of risk (e.g., project, security)

## To

Distributed management control of processes

Interoperable, networked technologies

Virtual enterprise, defined by mission

Many teams, one mission

Integrated view of risk



# Changing Risk Profiles

Changes in operational environments are driving the need for advanced risk analysis techniques.

- The operational environment is becoming more complex (e.g., distributed processes).
- New types of risks have emerged from this complexity.
  - inherited risk
  - new sources of risk (e.g., cyber-security risks)
  - risk from combinatorial effects
  - risk from cascading consequences
  - risk from emergent threats



## The Need for Advanced Techniques

High-performing organizations are able to manage traditional risks.

Risks arising from operational complexity are often subtle in nature, but bring the potential for catastrophic consequences.

High-performing organizations have the basic skills needed to manage these new types of risk, but sufficient techniques are not readily available.



# Key Requirements

High performers need advanced risk management techniques that enable them to

- assume an integrated view of risk (one view that includes process, technology, security, and interoperability risks)
- address the interrelated nature of risk (combinatorial effects and cascading consequences)
- understand the amount of risk that is inherited from partners and collaborators
- characterize the risk arising from the emergent properties of a distributed process

# What Is Risk?

The possibility of suffering harm or loss

Risk requires the following conditions:

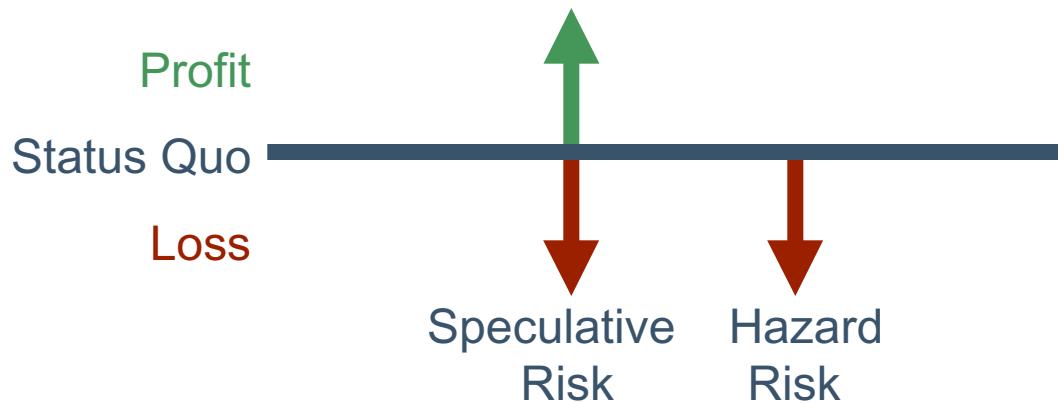
- loss
- uncertainty
- choice



# Nature of Risk

Speculative (dynamic) – a risk that has profit and loss associated with it

Hazard (static) – a risk that only has loss associated with it





# Operational Risk<sup>1</sup>

The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events

1. Bank for International Settlements (BIS). *International Convergence of Capital Measurement and Capital Standards: A Revised Framework*. BIS, 2004. <http://www.bis.org/publ/bcbs107.pdf>.



## Sources of Risk During Operations



A broad range of threats must be considered when analyzing the potential for mission success.

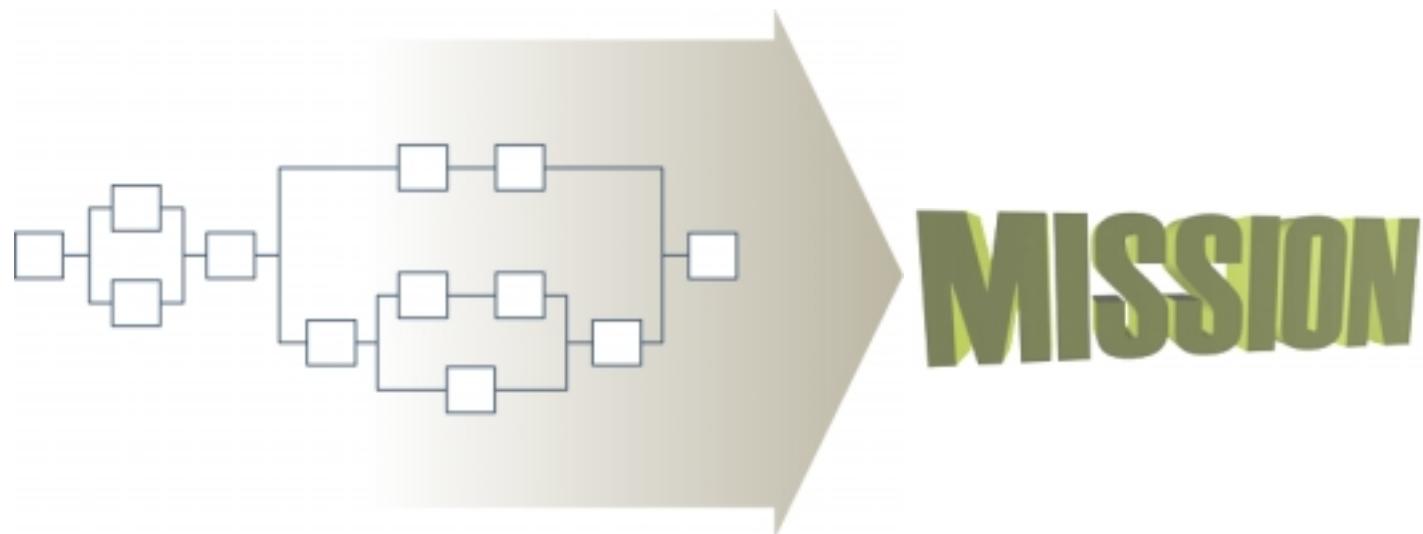
# Mission

# MISSION

A **mission threat** is a fundamental flaw, or weaknesses, in the purpose and scope of a work process.



# Process Design



A **design threat** is an inherent weakness in the layout of a work process.



# Activity Management

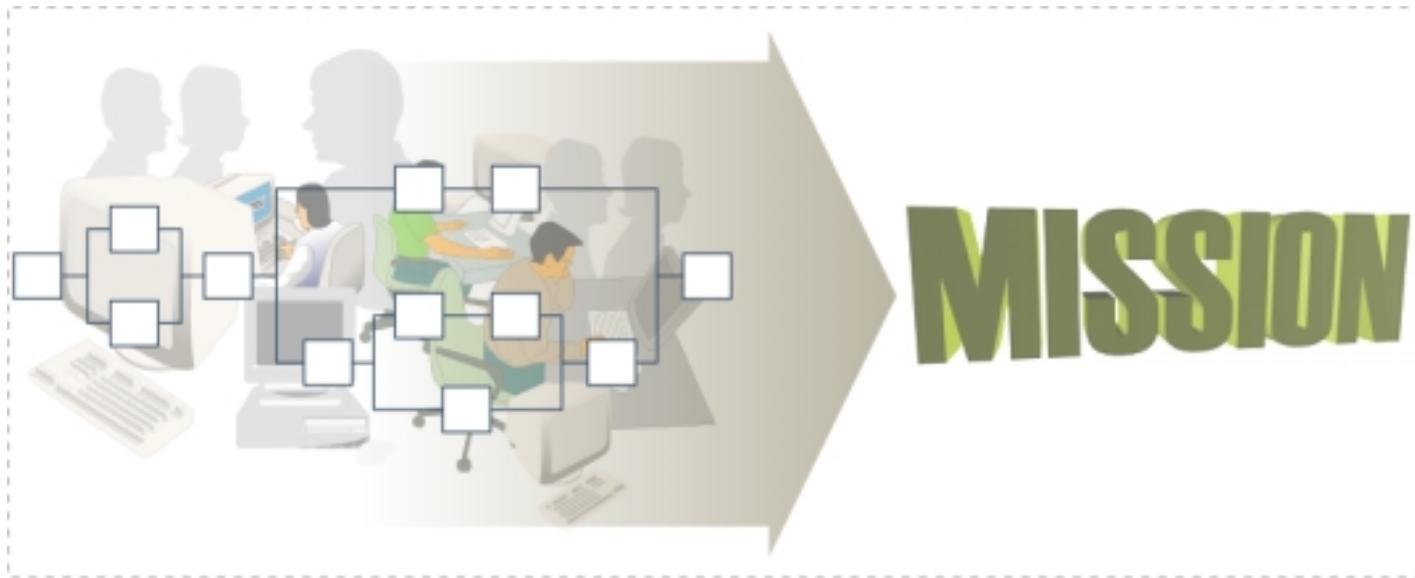


An **activity threat** is a flaw, or weaknesses, arising from the manner in which activities are managed and performed.



# Operational Environment

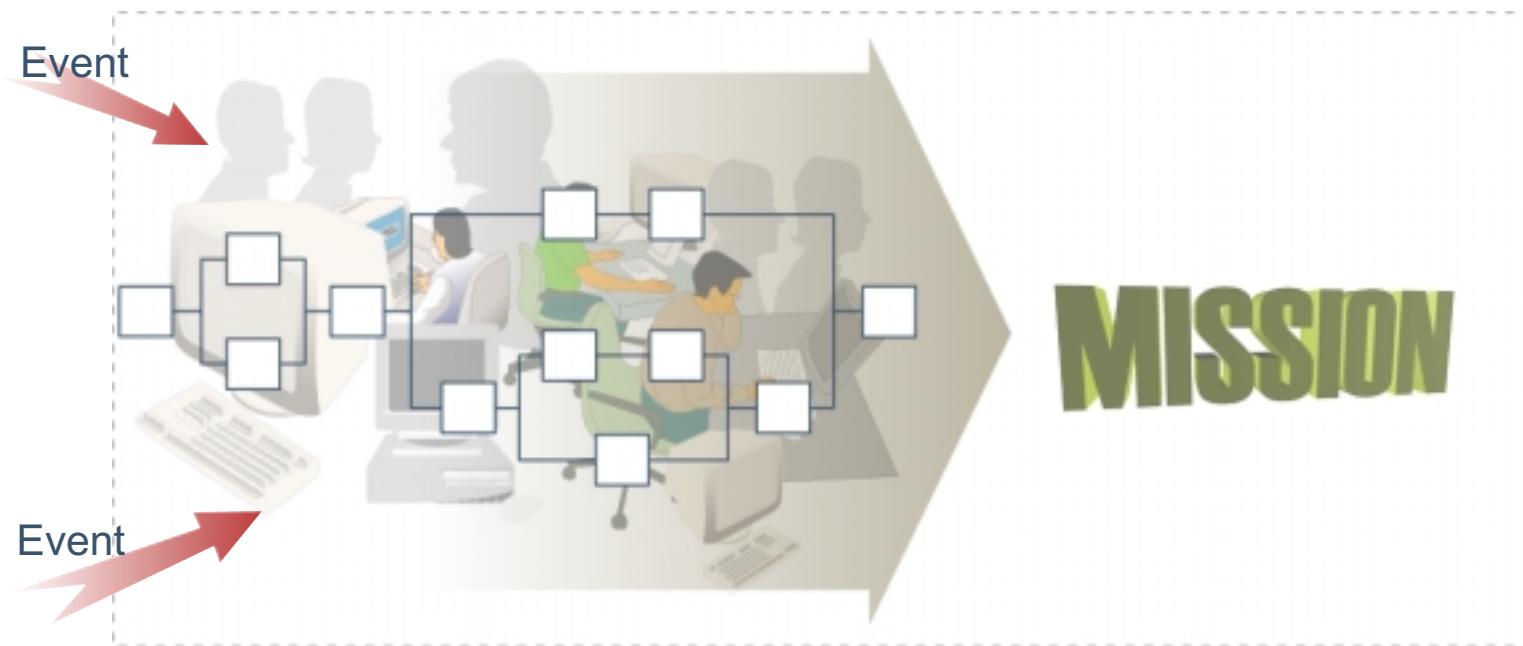
Operational Environment



An **environment threat** is an inherent constraint, weakness, or flaw in the overarching operational environment in which a process is conducted.



# Event Management



An **event threat** is a set of circumstances triggered by an unpredictable occurrence that introduces unexpected change into a process.



# Mission Risk

The possibility that a mission might not be successfully achieved



# Mission Assurance

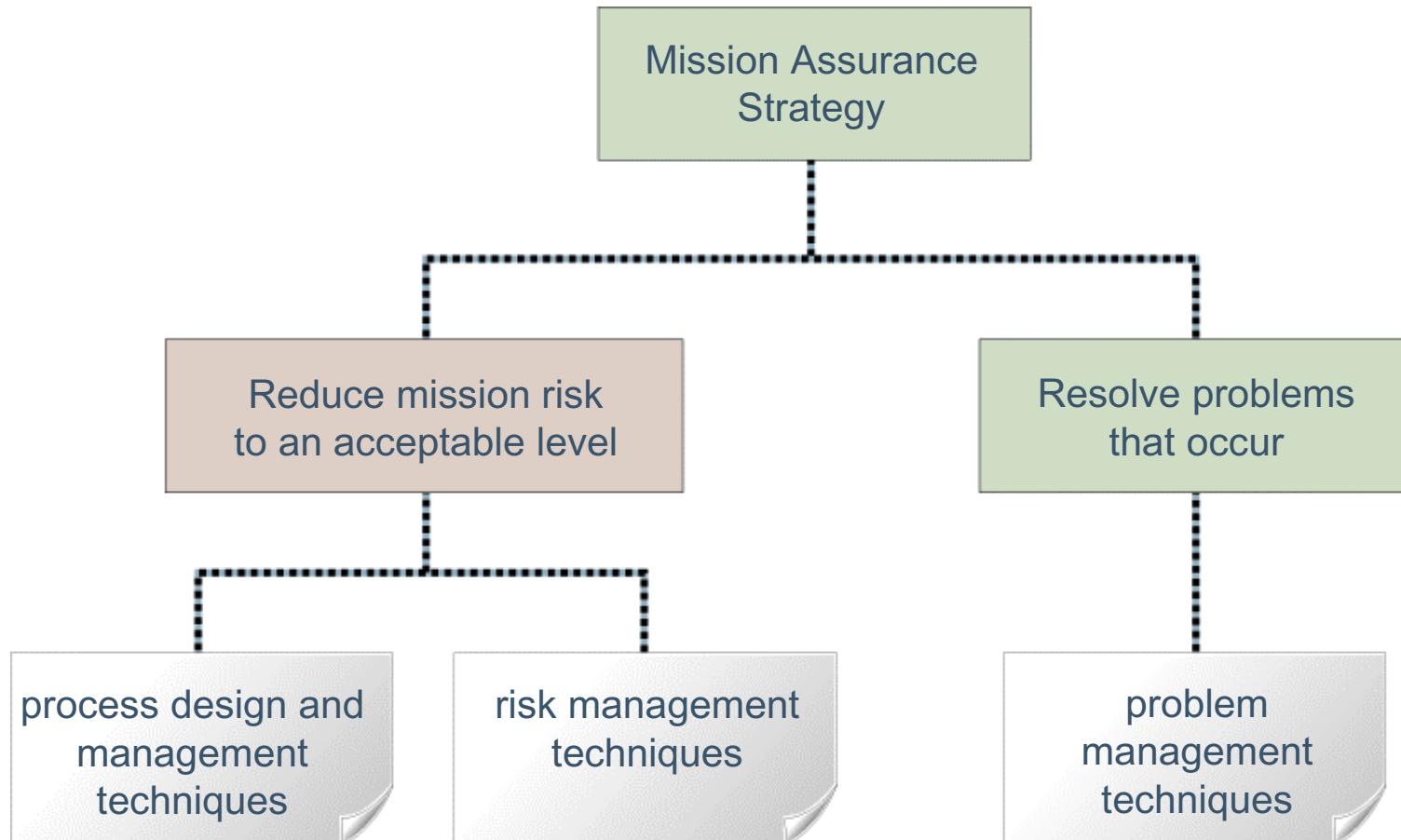
Establishing a reasonable degree of confidence in mission success

Mission assurance is achieved by ensuring that risk to the mission (i.e., mission risk) is within tolerance.

A key aspect of mission assurance is its dual focus on outcome and execution.



# Mission Assurance Strategy





## What is MAAP?

MAAP is a protocol, or heuristic, for determining the mission assurance of an operational process or system.



## Key Characteristics of MAAP

Applies an engineering approach to risk analysis

Designed for highly complex environments (multi-organization, system of systems)

Provides an in-depth analysis of processes, relationships, and dependencies

Characterizes the risk of mission failures

- process performance risk
- security risk
- operational environment risk



## Structured Analysis of Performance

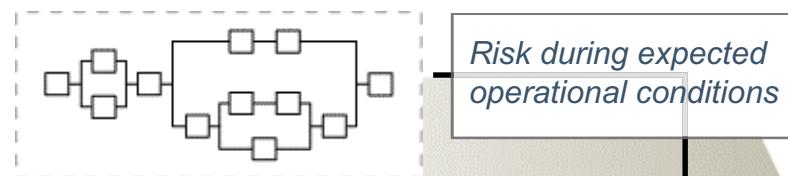
MAAP analyzes process performance in multiple operational states

- normal, or expected, operational conditions
- unusual circumstances, or occurrences, triggered by external events



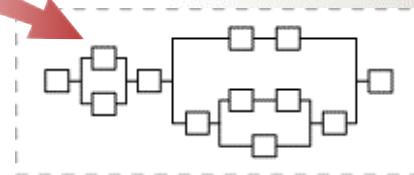
# Analyzing Multiple States

**State 1: Expected Operational Conditions**



*Risk during expected operational conditions*

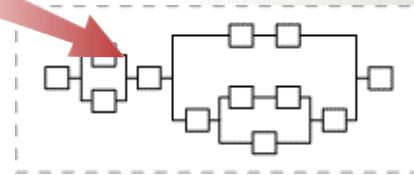
**State 2: When Stressed by Event 1**



*Risk resulting from event 1*

**Risk to the mission**

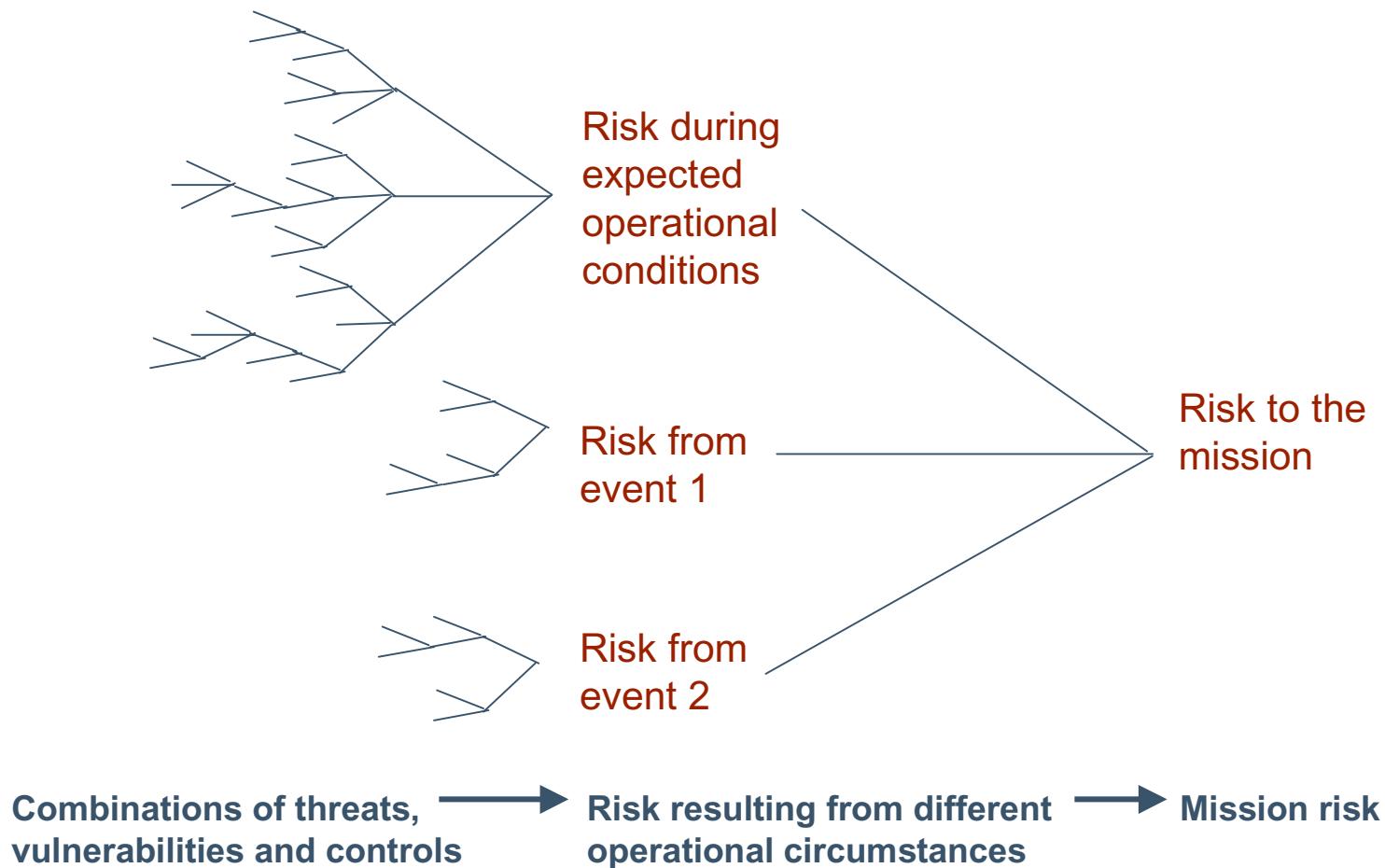
**State 3: When Stressed by Event 2**



*Risk resulting from event 2*

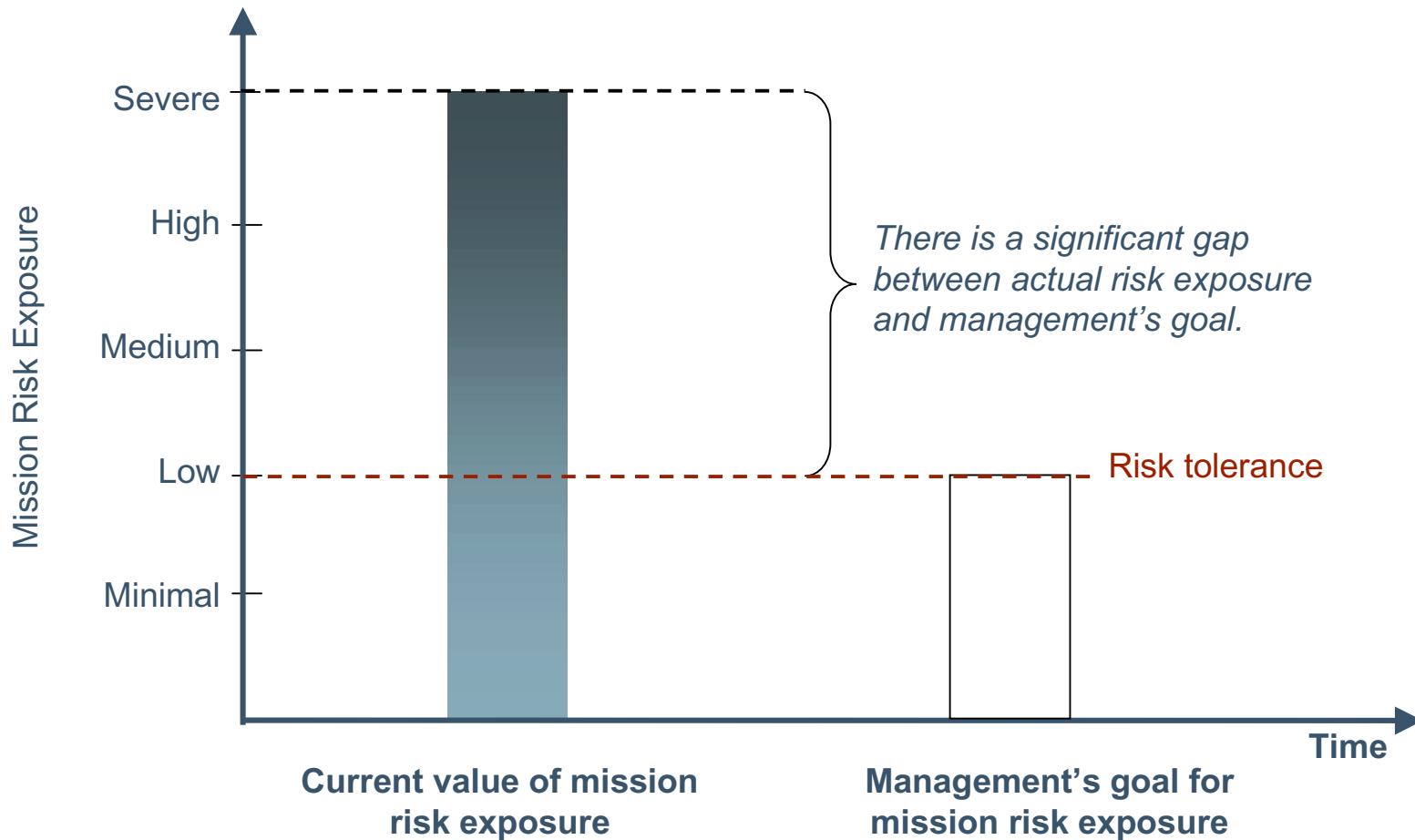


# Risk Causal Chain



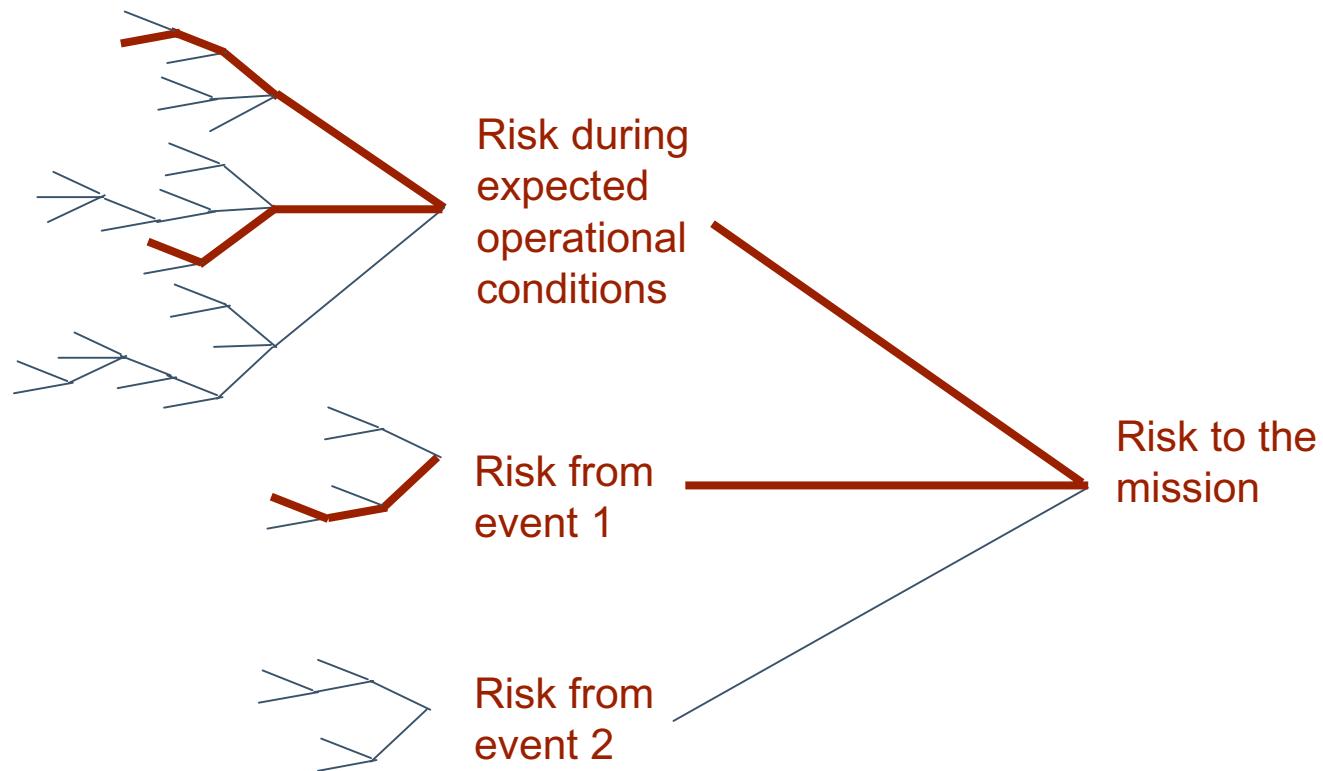


# Bringing Risk within Tolerance





# Key Risk Drivers



A critical path analysis identifies the key risk drivers.



# Protocol Fundamentals - 1

- Determine mission objectives.
- Characterize all operations conducted in pursuit of the mission.
- Define risk evaluation criteria in relation to the mission objectives.
- Identify potential failure modes.
- Perform a root cause analysis for each failure mode.

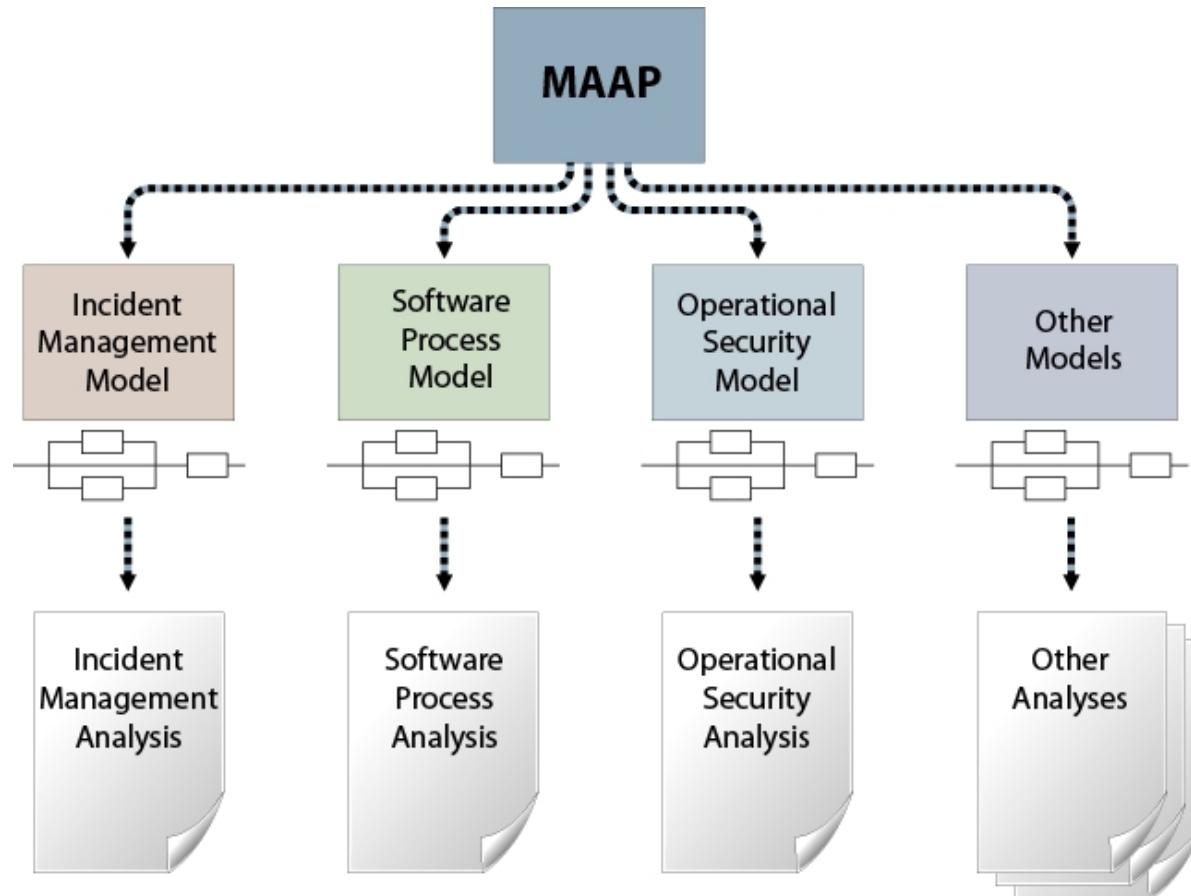


## Protocol Fundamentals - 2

- Develop a risk profile of the mission.
- Ensure that mission risk is within tolerance.



# A Common Basis for Analysis





## MAAP Pilot

Analyzed an incident management process in a large government organization

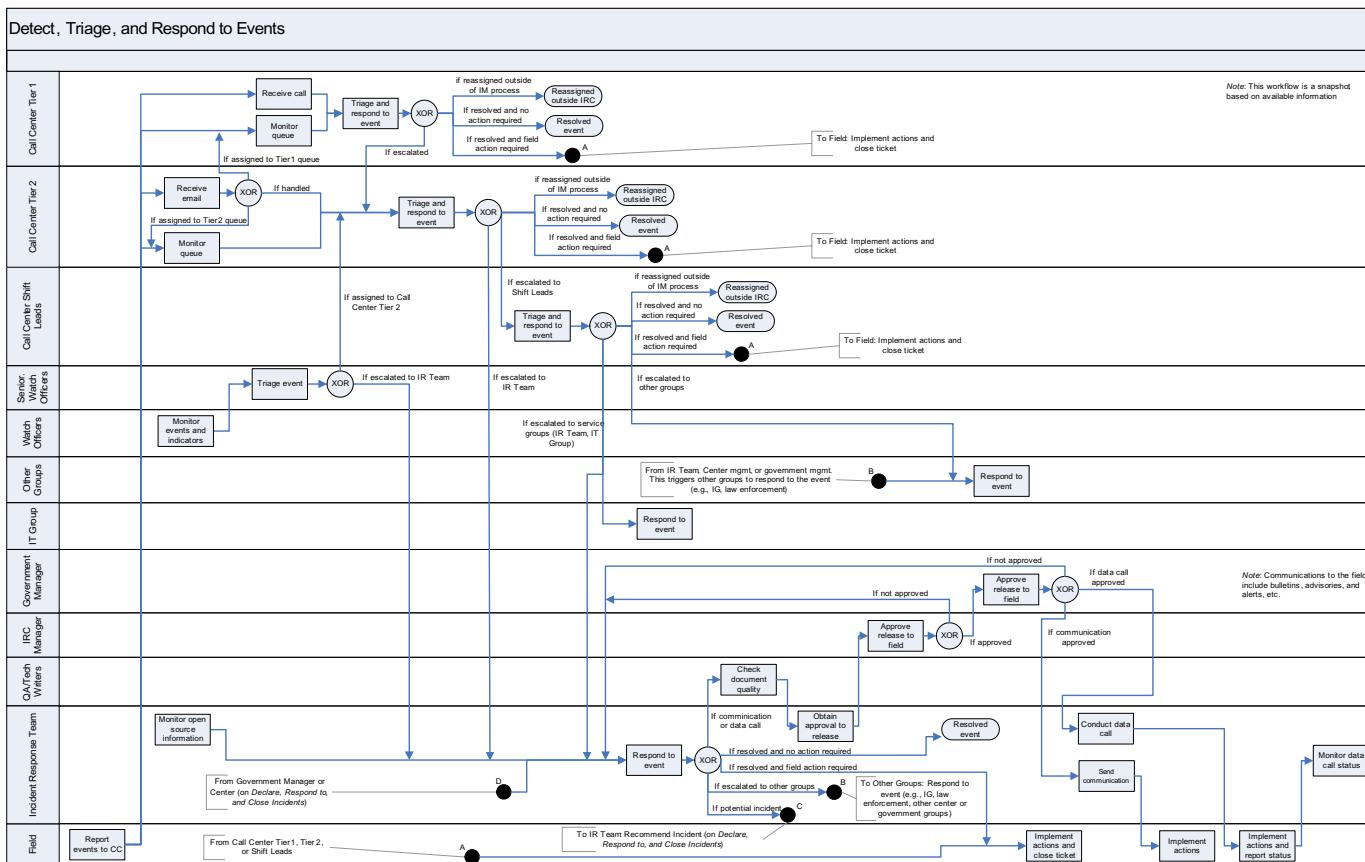
Analyzed risk to the mission under normal conditions

- quality of response
- timeliness of response
- customer satisfaction

Examined risk to the mission under unusual circumstances

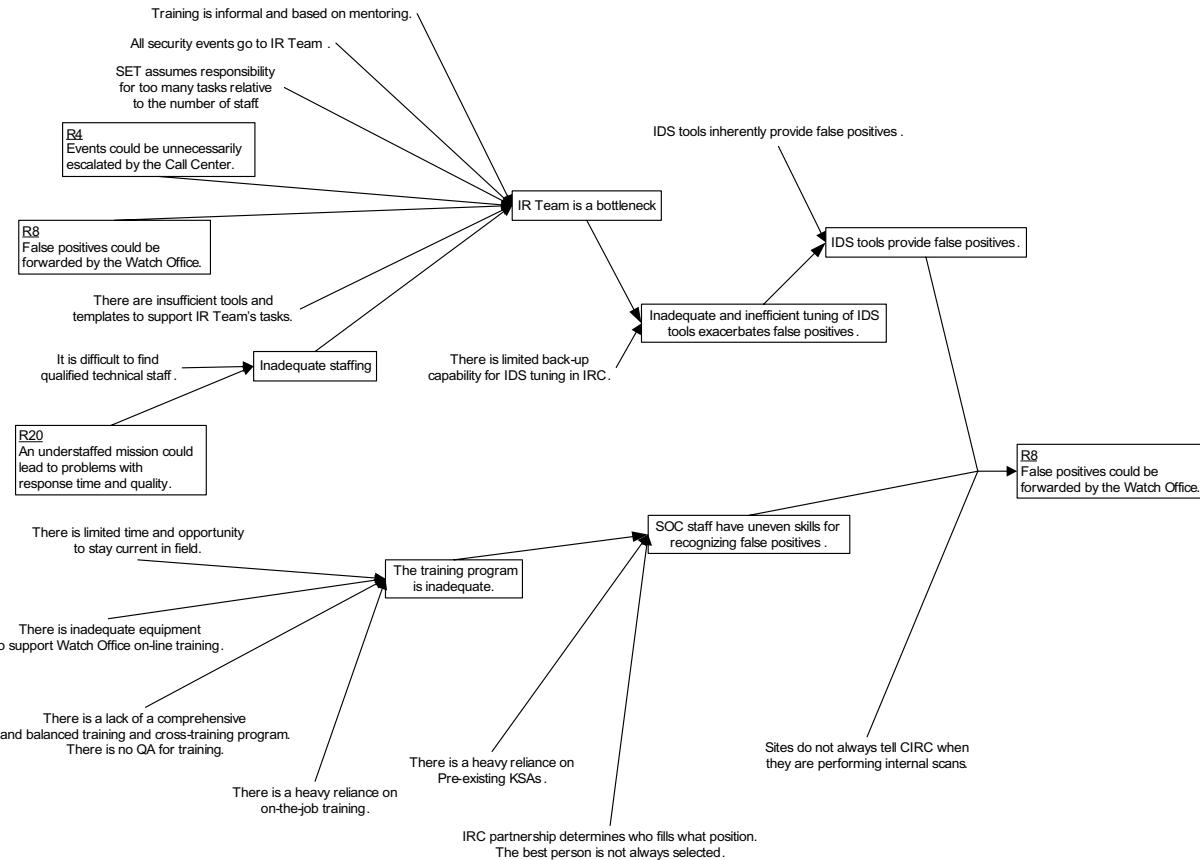
- two major incidents occur at the same time
- cyber security attack renders ticketing system unavailable for an extended period of time

# Example: Process Workflow



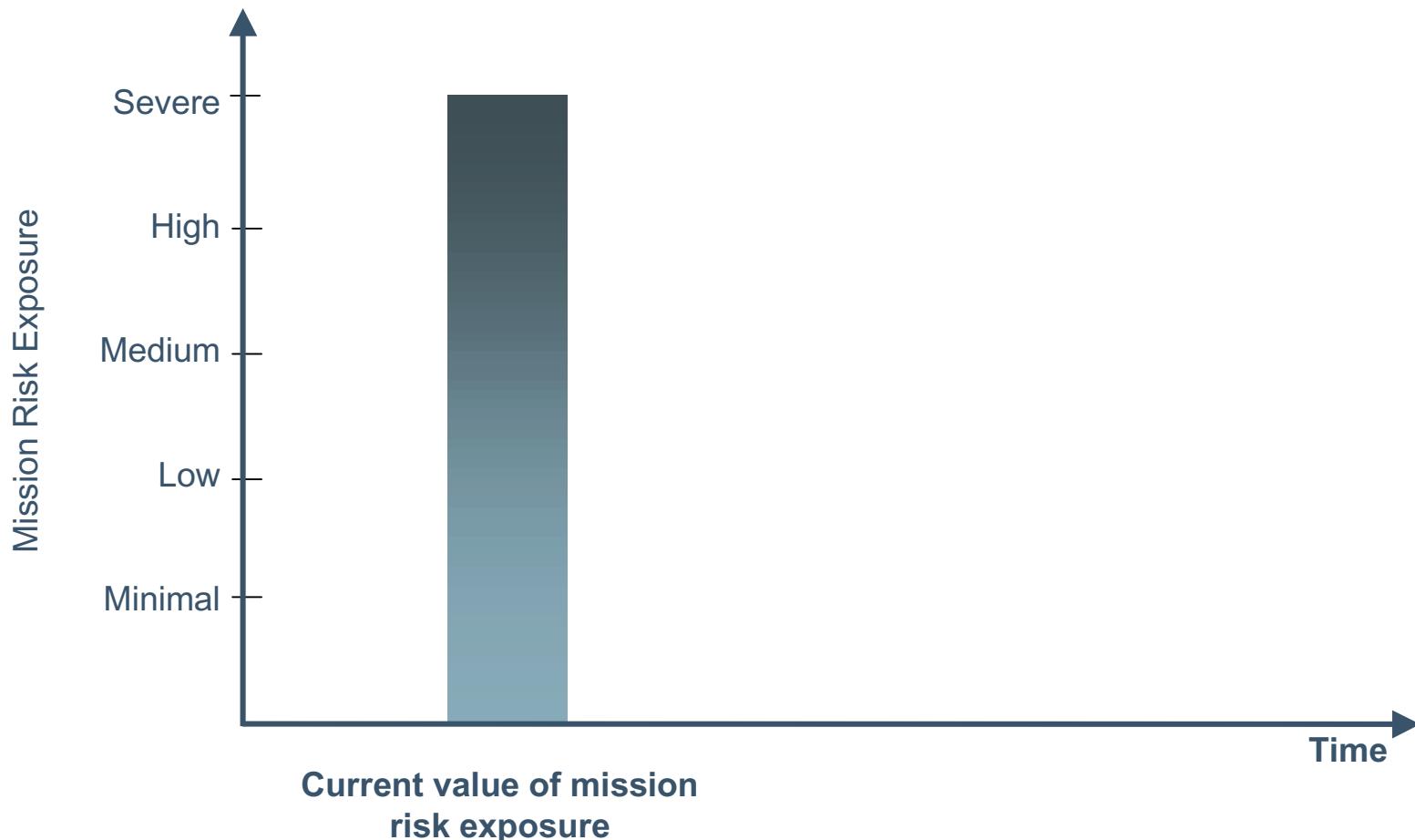


## Example: Complex Risks





## Example: Mission Risk





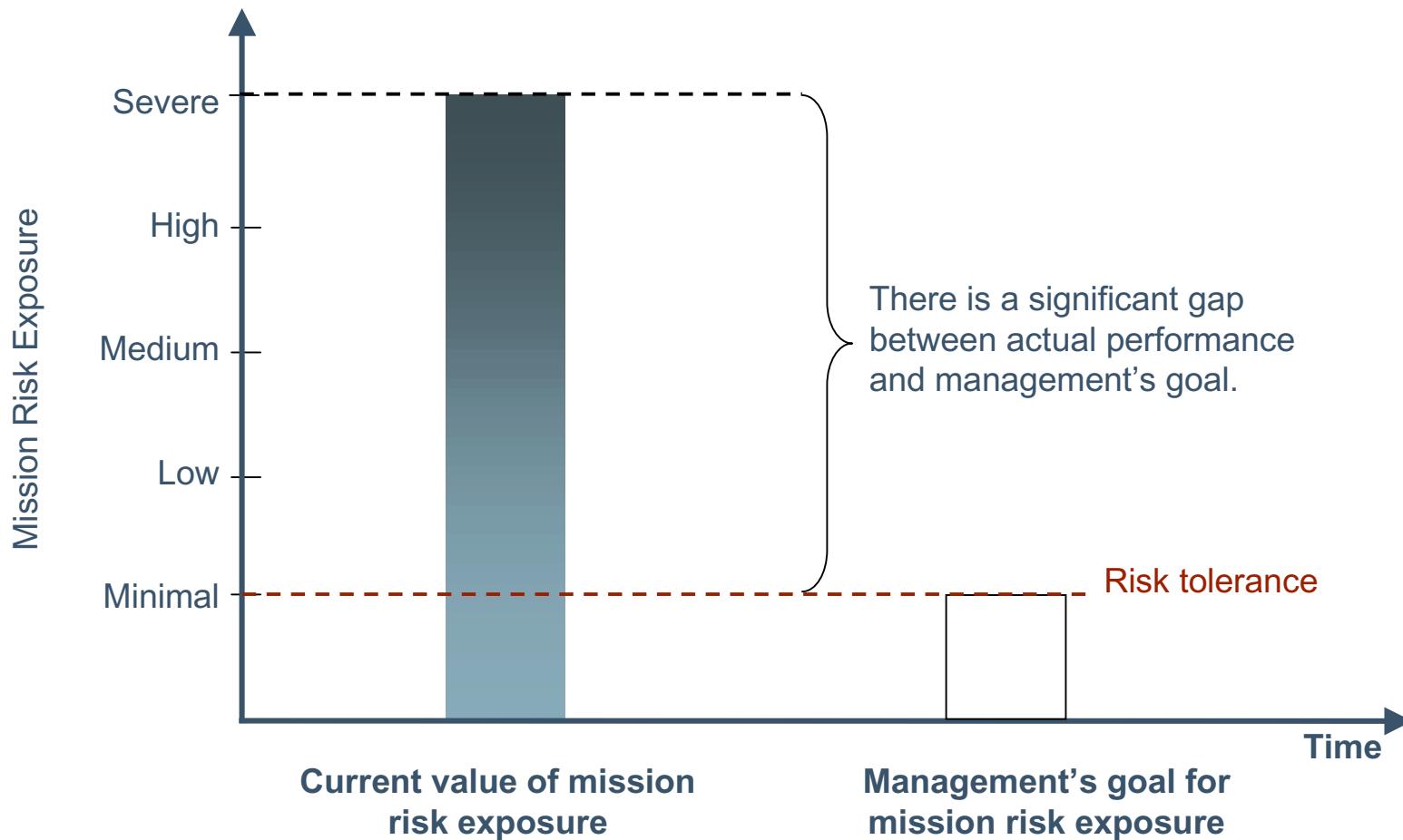
## Example: Mission Assurance Goal

Management's goal is to build a "world-class" incident management capability.

This goal translates to very high mission assurance (i.e., very low risk to the mission).



## Example: Gap in Performance





## Example: Mitigation Strategy

- Simplify the mission.
  - Determine which incident management services are essential.
  - Develop a plan for growing the incident management capability over time.
- Redesign the process based on the revised mission.
- Develop and test contingency plans.



## Conclusions

Many types of risk prevalent in today's operational environments (e.g., event risks, inherited risk) are not readily identified using traditional risk analysis techniques.

High-performing organizations have the basic skills needed to identify and manage these new types of risk, but lack sufficient techniques.

Average or poor performers will not have the skills needed to identify and manage new types of risk (and probably have bigger, more obvious risks to deal with).

MAAP is one technique that high performers can use to identify and mitigate the risks arising from operational complexity.



## **Additional Research and Development**

Develop a technique for quickly estimating mission risk exposure.

- First pilot will focus on mission assurance in incident management.
- Second pilot will focus on mission assurance in system development.

Refine and document MAAP based on pilot experience.

Pilot MAAP in another domain.



## Contact Information

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